

CHAPTER TWENTY-SIX THE NEW DEAL

Objectives

A thorough study of Chapter Twenty-Six should enable the student to understand:

1. The series of emergency measures designed to restore confidence and enacted during the first 100 days.
2. The New Deal programs for raising farm prices and promoting industrial recovery.
3. The first federal efforts at regional planning.
4. The New Deal program for reforming the financial system.
5. The federal relief programs and Social Security.
6. The political pressures from both the left and the right that caused Franklin Roosevelt to move in new directions from 1935 on.
7. The changes in organized labor during the New Deal period.
8. The effects of the Court-packing scheme, and of the recession of 1937 and 1938 on Roosevelt and the New Deal.
9. The impact of the New Deal on minorities and women.
10. The lasting significance of the New Deal to the American economy and political system.

Main Themes

1. How Franklin Roosevelt, although limited by his basically traditional economic views, pushed through programs of economic planning and Depression relief.
2. How popular protests against New Deal policies, protests from rightists, leftists, and those who defied categorization, inspired Roosevelt to launch a new burst of action known as the Second New Deal.
3. That despite Roosevelt's overwhelming reelection in 1936, the New Deal was virtually moribund by 1938, thanks to increasing conservative opposition, his own political blunders, and continuing hard times.
4. That the New Deal helped give rise to a new role for the national government as a "broker state" among various organized interests.

Glossary

1. **refinance:** To renew or reorganize financing—often achieved in a process whereby an existing loan or mortgage is paid off with the proceeds of a new loan secured by the same collateral. Refinancing is often undertaken to avoid foreclosure. The new loan is usually at a lower interest rate for a longer term and with lower payments.

Pertinent Questions

LAUNCHING THE NEW DEAL (704-709)

1. What sort of relationship did President Roosevelt develop with the press and the public?
2. Why was banking the new president's number one order of business? What was done immediately and in 1934 and 1935?
3. What did the Economy Act of 1933 reveal about Roosevelt's fundamental economic philosophy?
4. What was the principal feature of New Deal farm policy? How well did it work? Which farmers were served best?
5. Describe the goals and concepts of the National Recovery Administration (NRA). Why was it less than fully successful? How did it end?
6. What were the goals of the Tennessee Valley Authority (TVA)? How well did it meet them?
7. What effect did taking the nation off the gold standard have on the economy?
8. How did the New Deal try to reform the banking and securities industries?
9. How did the Federal Emergency Relief Administration (FERA) help the states?
10. What assumption about relief was reflected in the Civil Works Administration CWA and the Civilian Conservation Corps (CCC)? What was unique about the CCC?
11. What was done for mortgage relief?

THE NEW DEAL IN TRANSITION (709-717)

12. Who led the conservative attack on Roosevelt in 1934 and 1935? How did the president react?
13. How successful were the socialists and communists in exploiting the unrest caused by the Depression?
14. Briefly explain the ideas of Huey Long, Francis Townsend, and Charles E. Coughlin and how they exploited popular apprehension. Who was probably most important among them? How did Roosevelt respond?
15. What 1935 legislative initiatives by Roosevelt and others indicated Roosevelt's changing attitude toward big business and the emergence of the Second New Deal?
16. Compare and contrast craft unionism and industrial unionism. What organization emerged to represent industrial unions?
17. Why did organized labor become more militant in the 1930s? How did the Wagner Act (National Labor Relations Act) help? In what industries did unions make especially significant gains?
18. How did the Social Security Act try to maintain a distinction between "insurance" and "public assistance"? What programs did the act establish?
19. Describe the Works Progress Administration (WPA) and its accomplishments. How did it go beyond traditional public-works programs?
20. What were the elements of the New Deal-Democratic political coalition that Roosevelt built?

THE NEW DEAL IN DISARRAY (718-719)

21. What was Roosevelt's objective in the "Court-packing" plan? How was the objective substantially accomplished? What were the political repercussions of the episode?
22. What seems to have been the main cause of the 1937 recession? What economic theory appeared to have been supported by the recession and the administration's response to it?

LIMITS AND LEGACIES OF THE NEW DEAL (719-725)

23. What is meant by "broker state"? How did the New Deal create it?

24. What did the New Deal offer to black Americans? What role did Eleanor Roosevelt play, and what political change resulted?
25. What new direction in Indian policy was the objective of Commissioner of Indian Affairs John Collier? What were the results of the new policy?
26. What pushed the New Deal toward a greater role for women? What held it back?
27. Why was the New Deal's impact greater in the West?

PATTERNS OF POPULAR CULTURE: THE GOLDEN AGE OF COMIC BOOKS (716-717)

28. What did the popularity of superheroes, particularly Superman, reveal about American culture in the late 1930s and early 1940s?

WHERE HISTORIANS DISAGREE (722-723)

29. Why did one leading historian call the New Deal a "halfway revolution"? Does this characterization still ring true in light of the work of later historians?

Identification

Identify each of the following, and explain why it is important within the context of the chapter.

1. "fireside chats"
2. "bank holiday"
3. Twenty-first Amendment
4. Blue Eagle
5. Harry Hopkins
6. American Liberty League
7. John L. Lewis
8. sit-down strike
9. Alf M. Landon
10. Federal Arts/Music/Theater Projects
11. Union party
12. Keynesian economics
13. Marian Anderson
14. "Black Cabinet"
15. John Collier
16. Frances Perkins

The New Deal created many so-called "alphabet agencies." Explain the purpose of each of the following.

1. Agricultural Adjustment Administration (AAA)
2. Rural Electrification Administration (REA)
3. National Recovery Administration (NRA)
4. Public Works Administration (PWA)
5. Tennessee Valley Authority (TVA)
6. Federal Deposit Insurance Corporation (FDIC)
7. Securities and Exchange Commission (SEC)
8. Federal Emergency Relief Administration (FERA)

9. Civil Works Administration (CWA)
10. Civilian Conservation Corps (CCC)
11. Federal Housing Administration (FHA)
12. National Labor Relations Board (NLRB)
13. Works Progress Administration (WPA)
14. National Youth Administration (NYA)
15. Aid to Dependent Children (ADC)

Document 1

In the campaign of 1932, Franklin Roosevelt revealed little of what would become the New Deal. And during the interregnum of 1932 and 1933, he refused to announce the specifics of his program. In fact, some of his campaign speeches were so conservative the New Dealer Marriner Eccles later commented that they sometimes “read like a giant misprint in which Roosevelt and Hoover speak each other’s lines.” By March 1933, however, although he may not yet have known where he was headed, Roosevelt knew where he was going to start. The most quoted line of his first inaugural address was his famous dictum that “the only thing we have to fear is fear itself.” The following excerpts are from later in the speech where he acknowledged the severity of the crisis and outlined his proposed course of action. Read the selection, and consider the following questions: How were Roosevelt’s experiences as a member of the wartime Wilson administration reflected in his approach to the Depression? What values of the progressive era did the Roosevelt program embody? How many of the promised programs were implemented during the first two years of the New Deal? How many worked as intended?

In such a spirit on my part and on yours, we face our common difficulties. They concern, thank God, only material things. Values have shrunk to fantastic levels; taxes have risen; our ability to pay has fallen; government of all kinds is faced by serious curtailment of income; the means of exchange are frozen in the currents of trade; the withered leaves of industrial enterprise lie on every side; farmers find no market for their produce; the savings of many years in thousands of families are gone.

More important, a host of unemployed citizens face the grim problem of existence, and an equally great number toil with little return. Only a foolish optimist can deny the dark realities of the moment. . . .

There must be an end to a conduct in banking and in business which too often has given to a sacred trust the likeness of callous and selfish wrongdoing.

Small wonder that confidence languishes, for it thrives only on honesty, on honor, on the sacredness of obligations, on faithful protection, on unselfish performance; without them it cannot live.

Restoration calls, however, not for changes in ethics alone. This nation asks for action, and action now.

Our greatest primary task is to put people to work. This is no unsolvable problem if we face it wisely and courageously.

It can be accomplished in part by direct recruiting by the government itself, treating the task as we would treat the emergency of a war, but at the same time, through this employment, accomplishing greatly needed projects to stimulate and reorganize the use of our natural resources.

Hand in hand with this, we must frankly recognize the overbalance of population in our industrial centers and, by engaging on a national scale in a redistribution, endeavor to provide a better use of the land for those best fitted for the land.

The task can be helped by definite efforts to raise the values of agricultural products and with this the power to purchase the output of our cities.

It can be helped by preventing realistically the tragedy of the growing loss, through foreclosure, of our small homes and our farms.

It can be helped by insistence that the Federal, State and local governments act forthwith on the demand that their cost be drastically reduced.

It can be helped by the unifying of relief activities which today are often scattered, uneconomical and unequal. It can be helped by national planning for and supervision of all forms of transportation and of communication and other utilities which have a definitely public character.

There are many ways in which it can be helped, but it can never be helped merely by talking about it. We must act, and act quickly.

Finally, in our progress toward a resumption of work we require two safeguards against a return of the evils of the old order; there must be a strict supervision of all banking and credits and investments; there must be an end to speculation with other people's money, and there must be provision for an adequate but sound currency.

These are the lines of attack. I shall presently urge upon a new Congress in special session detailed measures for their fulfillment, and I shall seek the immediate assistance of the several States.

Through this program of action we address ourselves to putting our own national house in order and making income balance outgo.

Our international trade relations, though vastly important, are, in point of time and necessity, secondary to the establishment of a sound national economy.

I favor as a practical policy the putting of first things first. I shall spare no effort to restore world trade by international economic readjustment, but the emergency at home cannot wait on that accomplishment.

Document 2

Read the section in the text entitled "Attacks from the Right and the Left," and pay careful attention to the discussion of the American Liberty League. The following documents are newspaper reports on various Liberty League attacks on Roosevelt and the New Deal. Read these articles, and consider the following questions: Did the TVA in fact embody some aspects of socialism? Was it fair to imply that Senator George W. Norris and other TVA backers wanted to build a "socialistic State"? How did Wendell Willkie's business-oriented opposition to the New Deal put him in a position to become the Republican presidential nominee in 1940? What was Roosevelt proposing in 1935 that inspired the comparison to George III, Hitler, and Mussolini? Was the economic planning proposed by Roosevelt stringent enough to justify the charges by the Liberty League, and later by such historians as Edgar E. Robinson (see "Where Historians Disagree" in this chapter), that the New Deal shared many objectives with communism?

TVA 'Socialism' Hit by Liberty League

WASHINGTON, May 26—Sponsors of the Tennessee Valley Authority are interested primarily in building up a socialistic State, the American Liberty League charged today in attacking the Norris bill to enlarge and clarify the powers of the TVA. . . .

"Never have the dreams of bureaucrats flowered so perfectly as in the Tennessee Valley," the League said in a statement. "Bureaucracy thrives on interference in the affairs of individuals and in the conduct of business."

“Unless the courts intervene, the TVA may become more potent than the government of any of the seven States in which it exerts its influence.” . . .

Wendell L. Willkie, president of the Commonwealth & Southern Corporation [and the 1940 Republican nominee for president], joined in the attack on TVA by sending a letter to 200,000 security holders of his company today.

From *The New York Times*, May 27, 1935. Copyright 8 1935 by The New York Times Company. Reprinted by permission.

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Warns of New George III

WASHINGTON, Nov. 10 (AP) —President Roosevelt was likened to King George III of England in a pamphlet issued today by the American Liberty League.

The pamphlet, entitled “Economic Planning—Mistaken But Not New,” also asserted that the New Deal’s “economic planning” carries “points of similarity” with both Soviet communism and fascism, closely resembling “in many regards the Five-Year Plans of the Soviet Government.”

“King George III,” it said, “was the symbol of autocratic power against which the Colonies revolted. The twenty-seven grievances enumerated in the Declaration of Independence were directed specifically against him.

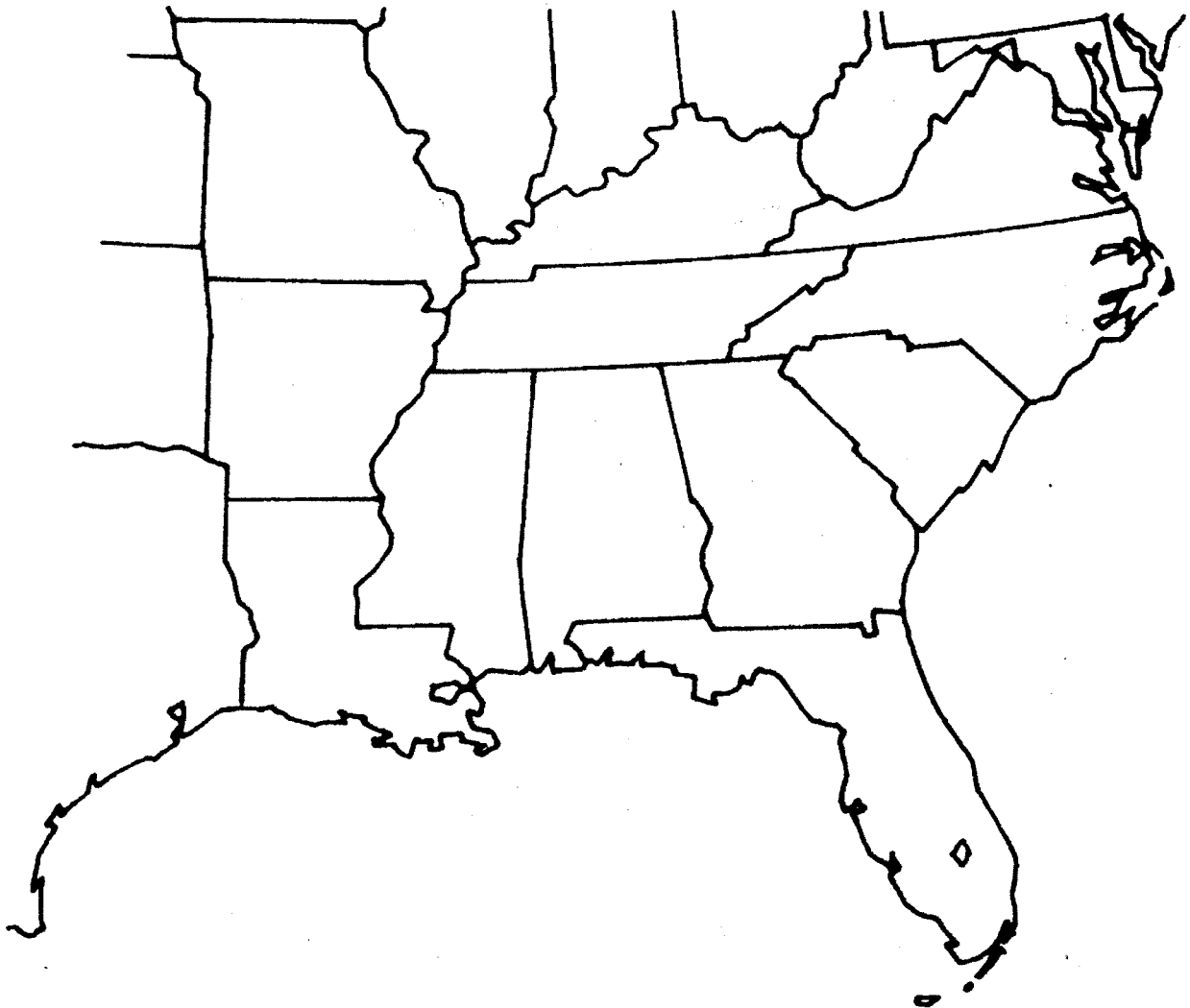
“Under New Deal laws and usurpations of authority, autocratic power to plan the course of economic affairs has become centered in the President of the United States. In Italy Mussolini and in Germany Hitler typify autocracy and a planned economic order.”

New York Times, 11 November, 1935. Dispatch to the *New York Times*, from the Associated Press, 10 November, 1935. Reprinted by permission of the Associated Press.

Map Exercise

Fill in or identify the following on the blank map provided. Use the map in the text as your source.

1. Approximate route of the Tennessee River from source to the Ohio River.
2. Knoxville and Chattanooga.
3. Approximate extent of the Tennessee Valley basin, noting the states affected.
4. Muscle-Shoals.



Interpretative Questions

Based on what you have filled in, answer the following. On some of the questions you will need to consult the narrative in your text for information or explanation.

1. What development in the utility industry sparked the final approval of the TVA concept? What impact did the TVA have on the industry?

2. How did the TVA benefit the region? What were its limitations?
3. Why did the New Deal fail to embark on any other regional projects of the magnitude of the TVA?

Summary

Franklin D. Roosevelt was bound by traditional economic ideas, but unlike Herbert Hoover, Roosevelt was willing to experiment and was able to show compassion. During the first two years of his New Deal, the groundwork was laid for a new relationship between government and the economy. Roosevelt sought temporary relief for the desperate unemployment, plus long-term recovery and reform for industry and finance. Not everything worked, and the Depression was not stopped, but Roosevelt got the country moving again. In 1935, frustrated and facing pressures from all sides, Roosevelt launched a new set of programs, which sometimes is called the Second New Deal. The new programs were less conciliatory to big business and more favorable to the needs of workers and consumers than were those of the New Deal of 1933. Roosevelt was swept to reelection in 1936 by a new coalition of workers, blacks, and liberals. Soon, however, Roosevelt's political blunders in the Supreme Court fight and congressional purge effort combined with growing conservative opposition to halt virtually all New Deal momentum. The legacy of the New Deal was a more activist national government poised to serve as the broker between society's various interests.

Review Questions

These questions are to be answered with essays. This will allow you to explore relationships between individuals, events, and attitudes of the period under review.

1. Which of Roosevelt's early New Deal programs illustrate his willingness to experiment with bold, innovative ideas? Which of his actions show his hesitation and attachment to conventional values?
2. What forces caused Roosevelt to launch his so-called Second New Deal programs in 1935? How did he steal the thunder from some of his most vocal opponents?
3. Compare the impact of the Depression on African Americans, Hispanics, and Native Americans with its consequences for the typical white American.
4. How did Franklin Roosevelt's specific programs and general approaches combine to leave long-standing political and economic legacies from the New Deal?

Chapter Self Test

After you have read the chapter in the text and done the exercises in the Study Guide, take the following self test to see if you understand the material you have covered. Answers appear at the end of the Study Guide.

MULTIPLE-CHOICE QUESTIONS

Circle the letter of the response that best answers the question or completes the statement.

1. Much of Roosevelt's success in restoring public confidence in government might be attributed to his:
 - a. consistent application of clear-cut philosophies to social and economic problems.
 - b. optimistic and ebullient personality.
 - c. refusal to engage in tedious and politically charged press conferences.
 - d. public demonstration of how a man could overcome physical paralysis.

2. Roosevelt's first concern as president was the:
 - a. public panic caused by the bank failures.
 - b. collapse of agriculture.
 - c. problem of widespread unemployment.
 - d. deflationary spiral that had crippled business.
3. The Twenty-first Amendment, ratified in 1933, repealed the:
 - a. progressive income tax.
 - b. poll tax, literacy test, and other discriminatory voting restrictions.
 - c. prohibition on the manufacture and sale of alcoholic beverages.
 - d. "quota system" of immigration limitations.
4. Initial implementation of the Agricultural Adjustment Act in 1933 was controversial because it:
 - a. involved large-scale destruction of existing crops and livestock to reduce surpluses.
 - b. required farmers to boost agricultural production.
 - c. outlawed the practices of farm tenancy and sharecropping.
 - d. favored the interests of small farmers over those of large farmers.
5. Of greatest impact on large numbers of poor farmers was a New Deal program to:
 - a. provide payments for reduced production in the interest of soil conservation.
 - b. help irrigate and reclaim marginal lands for cultivation.
 - c. provide loans for resettlement.
 - d. make electric power available through utility cooperatives.
6. Which of the following provisions was *not* included in the National Industrial Recovery Act of 1933?
 - a. Trade association agreements on pricing and production.
 - b. Loans by the national government to railroads, banks, and insurance companies.
 - c. Legal protection to the right of workers to form unions and engage in collective bargaining.
 - d. A major program of public works designed to pump needed funds into the economy.
7. The Supreme Court declared the National Industrial Recovery Act unconstitutional partly because it:
 - a. used an overbroad definition of interstate commerce.
 - b. waived antitrust laws for cooperating businesses.
 - c. granted public money to private corporations.
 - d. applied only to corporations, not partnerships and sole proprietors.
8. The Tennessee Valley Authority (TVA):
 - a. received strong support from the nation's utility companies.
 - b. suffered as a result of the collapse of the electrical utility empire of Samuel Insull.
 - c. was intended to serve as an agent for comprehensive redevelopment of the entire region.
 - d. converted the Tennessee Valley into one of the most prosperous regions of the country.

9. The Roosevelt administration instituted all of the following financial reforms *except* to:
- take the country off the gold standard.
 - establish the Federal Deposit Insurance Corporation (FDIC).
 - transfer control over interest rates from the Federal Reserve Board to Congress.
 - establish the Securities and Exchange Commission (SEC) to police the stock market.
10. To provide assistance to those in need, Roosevelt and his adviser Harry Hopkins regarded which of the following as best?
- cash grants to states
 - work relief
 - a government dole for individuals
 - private charity
11. The relief efforts of the early New Deal were intended to:
- stimulate a broad recovery of the economy.
 - be limited in scope and temporary in duration.
 - create a permanent welfare system.
 - apply the principles of Keynesian economics.
12. Franklin Roosevelt's political philosophy could most accurately be described or characterized as:
- pragmatic.
 - laissez-faire.
 - doctrinaire liberal.
 - democratic socialist.
13. During his first few days in office, Roosevelt achieved three of the following either by proclamation or by congressional enactment. Which is the *exception*?
- All banks were closed temporarily.
 - The manufacture and sale of 3.2 percent beer was legalized.
 - The nation's commitment to the gold standard was explicitly reaffirmed.
 - Government salaries and veterans' pensions were reduced in an attempt to balance the budget.
14. Section 7(a) of the National Industrial Recovery Act represented a significant gain for:
- organized labor.
 - ethnic minorities.
 - trade associations.
 - the great mass of consumers.
15. Three of the following were purposes behind the establishment of the Tennessee Valley Authority. Which is the *exception*?
- Flood control.
 - Experimentation with regional planning and rehabilitation.
 - The establishment of a standard of comparison for measuring private power rates.
 - The establishment of a precedent for full government ownership and operation of all utilities.

16. In addition to putting young men back to work, a principal purpose of the Civilian Conservation Corps was to:
 - a. limit population growth.
 - b. promote reforestation and land conservation.
 - c. help young married couples buy homes on easy mortgage terms.
 - d. provide an interracial living experience to promote harmony.
17. The American Liberty League was dedicated to:
 - a. strong conservative opposition to the New Deal.
 - b. promoting civil rights for blacks and other minorities.
 - c. promoting popular support for the spirit of the New Deal.
 - d. a desire among intellectuals to adopt more radical solutions to the nation's economic ills.
18. The significance of the Wagner Act (National Labor Relations Act) to organized labor was that it:
 - a. abolished the remnants of the National War Labor Board.
 - b. provided unemployment benefits for workers on strike.
 - c. provided strong government protection for unions.
 - d. explicitly repudiated the right of collective bargaining.
19. The Congress of Industrial Organizations (CIO) was organized on the principle that all workers in a particular industry should be included in one union. This principle is referred to as:
 - a. union shop.
 - b. closed shop.
 - c. craft unionism.
 - d. industrial unionism.
20. The 1935 Social Security Act provided for three of the following. Which is the *exception*?
 - a. retirement benefits
 - b. unemployment benefits
 - c. health insurance benefits
 - d. benefits to dependent children of impoverished parents

TRUE-FALSE QUESTIONS

Read each statement carefully. Mark true statements "T" and false statements "F."

1. The term "fireside chat" was used during the Depression to indicate that most Americans could not afford any entertainment other than sitting around the stove and visiting with friends.
2. The principal feature of New Deal agricultural policy was that it provided direct income supplements to farmers rather than trying to increase prices and thereby indirectly raising farm income.
3. The Agricultural Adjustment Act turned out to be more beneficial to sharecroppers and tenant farmers than it was to landowning farmers.
4. The National Recovery Administration was just beginning to show positive results in industrial recovery at the time that it was ruled to be unconstitutional.
5. The Tennessee Valley Authority was popular with private utility corporations because it sold them inexpensive hydroelectric-generated power, which they could distribute to their customers.

6. Taking the United States off the gold standard in 1933 had relatively little effect on the economy.
7. Francis E. Townsend based his depression recovery program on giving parents a cash stipend for each child, with the requirement that all of the money be spent on consumer goods.
8. Huey Long wanted to use his "Share-Our-Wealth" program as a basis for a run for president.
9. Roosevelt's response to Townsend, Long, Charles Coughlin, and other critics was to become noticeably more conservative in 1935 and 1936.
10. The Liberty League used the Blue Eagle as the symbol of its opposition to the New Deal.
11. In combating the vast problem of unemployment during the Depression, federally funded work projects under the WPA were extended to include artists, musicians, and writers, as well as basic unskilled and semiskilled laborers.
12. In the election of 1936, the Republican platform emphasized adopting economic measures more radical than those of the New Deal.
13. The ultimate outcome of Roosevelt's plan to pack the Supreme Court was that although the plan was defeated, the Court became more favorable to New Deal legislation.
14. According to Keynesian economics, during a depression the government should balance the budget.
15. The Roosevelt administration finally came to accept the implications of Keynesian economics as a result of the recession of 1937 and 1938.
16. Harry Hopkins was significant to the New Deal as for heading several projects including the WPA.
17. The idea of the broker state means that the government should become supervisor of the competition between contending interest groups.
18. John L. Lewis was the most influential member of Roosevelt's so-called Black Cabinet.
19. Many blacks shifted their political support to the Democrats as a consequence of the New Deal.
20. Frances Perkins was Secretary of Labor and the first woman ever appointed to the cabinet.